A9275-1.1U 10/89

Management Report

Detailed Cost-of-Doing Business Data

For Hardware Stores

1989

NRHA National Retail Hardware Association

Contents

Introduction 1
Historical Trends 2
Strategic Profit Model 4
1988 Highlights 5
1988 Monthly Sales 5
All Stores 6
Sales Volume Size 8
Sales Floor Size 10
Type of Ownership 12
Trade Area Size 13
Store Location: Part I 14
Store Location: Part II 15
Geographical Regions 16
Number of Stores 18
Age of Operation 19
Departmental Sales 20
Departmental Contribution 21
Productivity 21
Definition of Terms 22
Definition of Ratios 23

NRHA
National
Retail Hardware
Association

Prepared by:

Research Department of the National Retail Hardware Association

Printed in the United States of America

Copyright© 1989 by the National Retail Hardware Association. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the National Retail Hardware Association.

Introduction

The **National Retail Hardware Association** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies available are the Management Report for hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

THE MANAGEMENT REPORT
The 1989 Management Report outlines financial operating data for contributing retail hardware operations. This report is designed to:

- Assess financial performances of retail hardware stores in 1988
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards
- Provide a benchmark for profit planning enabling hardware retailers to improve performance levels on a continuing basis

Additionally, the report provides an accurate and valid means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections
The Management Report is divided into four major sections: Historical Trends for 1984 through 1988; The Strategic Profit Model; Average Operating Results for 1988; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Trends provides income statement and balance sheet data for 1988 and the four previous Management Reports, 1984-1987. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in retail hardware stores. The percent of net sales, sales floor, and inventory are outlined for both handling firms only and for an average store. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Store
A variety of factors influence the cost of doing business for any hardware store. Therefore, report data are presented by various store characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:

- All Stores
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores
- Age of Operation

Methodology
The Management Report is made possible only through the cooperation of the retail hardware operators who provide NRHA with detailed financial information on their individual stores.

Questionnaires were mailed in March 1989 and seven hundred sixty-three useable returns were received by May 15, 1989 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Retail Research Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data processing firm.

As thanks for participation in this project, each contributing hardware store operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1989 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association, 770 N. High School Road, Indianapolis, Indiana 46214 or phone (317) 248-1261.

Historical Trends

Income Statement Data	ALL HARDWARE STORES FISCAL YEAR 1988	1987	1986	1985	1984
Net Sales Volume	$799,386	$776,627	$682,263	$645,939	$676,017
Gross Sales	101.66%	101.61%	101.96%	102.13%	102.14%
Less: Total Deductions	1.66	1.61	1.96	2.13	2.14
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.63	65.22	65.08	65.69	67.00
Margin Before Purchase Rebate or Patronage Dividend	35.37	34.78	34.92	34.31	33.00
Purchase Rebate or Patronage Dividend	1.22	1.11	1.14	1.05	1.04
Margin After Purchase Rebate or Patronage Dividend	36.60	35.89	36.06	35.36	34.04
Payroll and Other Employee Expense					
Salaries -- Owners/Officers/Managers	4.34	4.38	4.42	4.43	4.93
Salaries/Wages -- Other Employees	12.46	11.88	12.44	11.69	11.01
Federal and State Payroll Taxes	1.45	1.39	1.41	1.58	1.39
Group Insurance	.71	.64	.64	.66	.66
Benefit Plans	.40	.55	.46	.39	.43
Total Payroll and Other Employee Expense	19.36	18.84	19.37	18.75	18.42
Occupancy Expense					
Heat, Light, Power, Water	1.01	1.06	1.15	1.13	1.17
Building Repairs and Maintenance	.30	.25	.30	.16	.25
Rent or Ownership in Real Estate*	4.01	3.89	3.80	3.85	3.53
Total Occupancy Expense	5.32	5.19	5.25	5.14	4.95
Other Costs of Doing Business					
Advertising and Promotion	2.59	2.53	2.50	2.53	2.28
Insurance (Other than Real Estate and Group)	.79	.83	.89	.72	.64
Taxes (Other than Real Estate and Payroll)	.49	.56	.57	.43	.31
Interest (Other than Real Estate)	1.18	1.38	1.32	1.40	1.53
Depreciation (Other than Real Estate)	.89	1.00	.99	.98	.94
All Other Expenses	3.80	3.84	3.76	3.88	3.57
Total Other Costs of Doing Business	9.74	10.14	10.04	9.94	9.27
Total Operating Expenses	34.42	34.17	34.65	33.83	32.64
Operating Profit or Loss	2.18	1.72	1.41	1.53	1.40
Other Income	1.58	1.53	1.68	1.55	1.50
Net Operating Profit or Loss (Before Income Taxes)	3.76	3.25	3.09	3.08	2.90
Financial Performance					
Profit on Investment	13.80%	13.42%	11.76%	12.10%	11.08%
Active Owner's Return	29.70%	31.51%	28.58%	29.50%	29.28%
Current Asset Ratio	3.47x	3.04x	3.39x	3.44x	3.49x
Quick Asset Ratio	.98x	.83x	.91x	1.00x	1.03x
Total Debt to Tangible Net Worth	88.35%	102.97%	90.91%	93.19%	93.57%
Stock Turn Times	2.48x	2.61x	2.45x	2.49x	2.59x
Sales to Inventory Ratio	3.84x	4.00x	3.77x	3.79x	3.87x
Average Inventory per Square Foot Sales Area	$30.17	$28.09	$26.00	$29.82	$31.14
Net Sales to Accounts Receivable	20.21x	21.30x	21.09x	20.65x	18.49x
Net Sales to Total Assets	1.95x	2.03x	1.99x	2.03x	1.98x
Net Sales to Net Worth	3.67x	4.13x	3.81x	3.92x	3.83x
Net Sales to Net Working Capital	3.82x	2.93x	2.80x	3.76x	3.75x
Other Operating Data					
Credit Sales -- % of Total Gross Sales	30.67%	30.23%	31.27%	28.02%	31.86%
Consumer Sales -- % of Total Gross Sales	69.33%	74.62%	74.39%	76.73%	78.13%
Selling Area -- Square Feet	6,838	5,977	5,827	6,177	6,161
Sales Per Square Foot -- Selling Area	$117.58	$113.63	$105.34	$106.76	$111.73
Total Area -- Square Feet	10,258	8,802	9,059	9,009	9,341
Sales Per Square Foot -- Total Area	$77.81	$77.53	$67.11	$73.58	$74.05
Sales Per Person Employed	$85,073	$80,682	$75,418	$69,108	$61,530
Sales Per Customer	$11.71	$11.18	$9.64	$9.83	$11.01

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Hardware	15.3%	14.5%	14.9%	16.5%	17.5%	$114.58	$112.89	$108.36	$99.85	$110.73
Hand Tools	6.0	5.4	6.1	7.0	6.7	140.44	110.72	129.07	100.26	121.24
Power Tools & Accessories	4.5	3.9	4.7	4.5	4.7	155.30	143.52	132.05	114.49	104.13
Plumbing, Heating & Cooling	13.2	11.9	12.9	13.5	12.8	134.27	120.02	121.70	111.53	137.57
Electrical Supplies	9.9	8.9	9.5	10.4	9.6	145.40	127.69	134.72	118.68	147.41
Paint & Home Decorating	12.7	11.5	12.5	11.0	11.2	139.69	114.33	132.89	114.19	124.50
Lumber	.8	.5	.8	1.1	.7	133.72	88.81	125.18	108.69	63.65
Building Materials	1.7	1.2	1.5	1.9	1.3	129.46	119.59	135.44	106.39	95.93
Lawn & Garden	12.1	13.4	13.4	11.0	10.2	115.92	118.95	114.89	115.59	115.65
Housewares	7.6	8.6	7.4	7.3	7.6	93.84	79.30	76.58	71.47	71.16
Automotive Supplies	2.8	2.8	2.5	2.8	2.8	118.80	104.83	84.24	102.15	146.70
Major Appliances & Home Entertainment	2.9	4.1	2.3	3.2	2.3	135.16	135.49	143.55	123.34	113.88
Sporting Goods & Outdoor Living	3.1	3.5	3.3	3.2	3.3	119.61	94.99	78.75	89.07	87.56
Miscellaneous Goods	7.6	9.9	8.2	6.6	9.8	121.60	124.29	107.42	109.58	127.92

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Hardware	3.7x	3.7x	3.6x	3.2x	3.6x	$1.66	$1.63	$1.66	$1.41	$1.53
Hand Tools	3.8	3.6	3.8	3.5	3.9	1.45	1.32	1.47	1.36	1.47
Power Tools & Accessories	3.7	3.3	3.4	3.8	3.2	1.16	.96	.93	1.14	.98
Plumbing, Heating & Cooling	4.5	4.4	4.4	4.6	4.5	1.95	1.89	1.98	1.98	1.85
Electrical Supplies	4.3	4.3	4.6	4.5	4.6	1.83	1.80	1.97	1.86	1.85
Paint & Home Decorating	4.2	4.4	4.5	4.6	4.2	1.64	1.77	1.80	1.79	1.57
Lumber	3.3	3.8	5.3	3.5	2.6	1.17	.99	.78	.99	.72
Building Materials	4.9	4.6	5.7	4.0	2.7	1.72	1.47	1.41	1.38	.89
Lawn & Garden	4.0	4.4	4.7	4.6	4.0	1.37	1.48	1.66	1.66	1.40
Housewares	3.7	3.1	3.5	3.6	3.0	1.29	1.05	1.23	1.25	1.03
Automotive Supplies	4.1	4.0	3.1	3.9	4.4	1.41	1.42	1.09	1.39	1.50
Major Appliances & Home Entertainment	3.7	3.6	4.1	4.1	3.5	.95	.75	.72	1.03	.88
Sporting Goods & Outdoor Living	3.9	3.1	3.2	3.6	3.1	1.36	1.04	1.00	1.15	.96
Miscellaneous Goods	3.7	4.0	3.1	4.0	4.6	1.41	1.38	1.06	1.41	1.57

* Average Hardware Store

Monthly Sales

Month	1988	1987	1986	1985	1984
January	6.4%	6.5%	6.3%	6.5%	6.4%
February	5.9	5.9	5.7	5.8	5.8
March	7.4	7.3	7.4	7.1	6.8
April	9.0	9.0	8.9	8.9	8.4
May	9.6	9.7	9.9	9.8	9.9
June	9.4	9.3	9.2	9.3	10.1
July	8.4	8.8	8.9	8.9	8.7
August	8.4	8.4	8.6	8.7	8.5
September	8.1	8.0	8.0	8.0	8.1
October	8.5	8.6	8.5	8.5	8.4
November	8.5	8.1	8.6	8.6	8.8
December	10.8	10.4	10.0	9.9	10.3

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, inventory control, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts. If excessively high without the use of a finance charge, customers are operating on the firm's money.

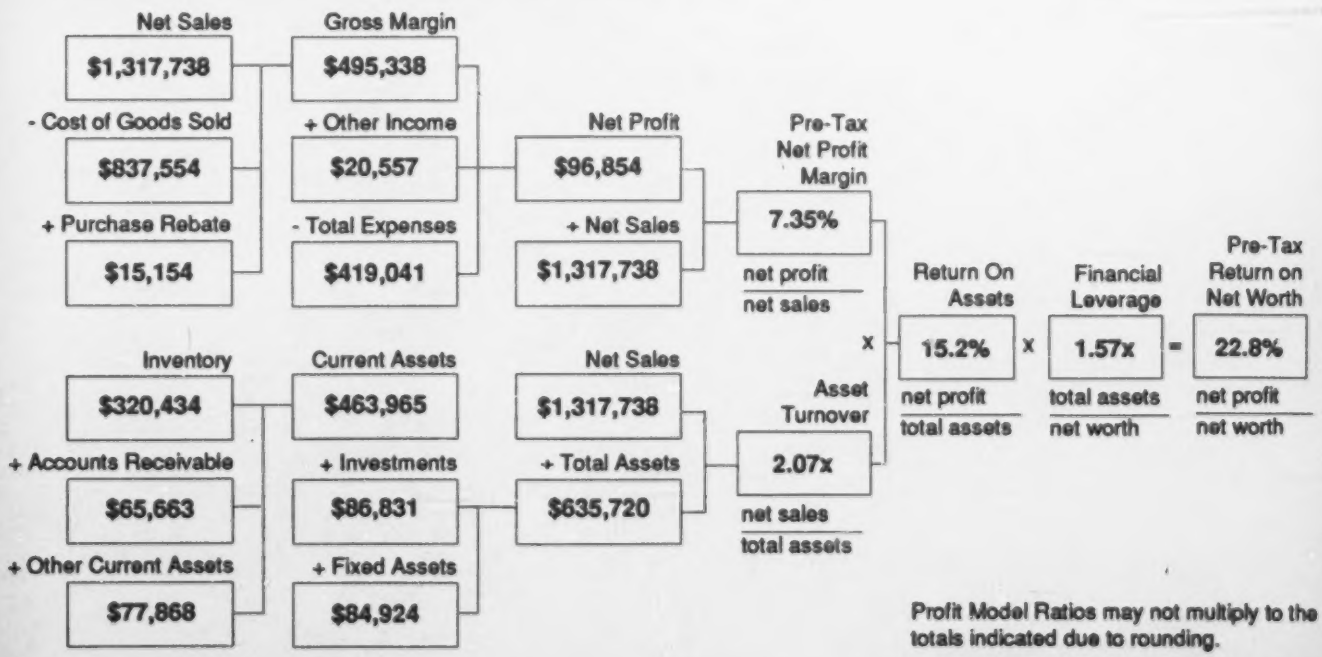
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Stores



Profit Model Ratios may not multiply to the totals indicated due to rounding.

1988 Highlights

Type Of Hardware Store	1988 Net Sales ($)	Sales Increase Over 1987* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Hardware Stores	799,386	+7.04	36.60	3.76	13.80	2.48
Low Profit	571,749	+3.70	34.44	-2.99	-14.90	2.16
High Profit	1,317,738	+7.32	37.58	7.34	22.76	2.67
Sales Volume Size						
Under $250,000	168,000	+9.35	37.55	2.62	8.88	1.42
$250,000 to $499,999	369,450	+8.03	38.20	3.80	11.77	1.87
$500,000 to $749,999	611,587	+7.37	36.60	3.56	12.81	2.33
$750,000 or more	1,427,681	+6.71	36.25	3.84	14.74	2.78
Sales Floor Size						
Under 3,000 Sq. Ft.	367,478	+7.75	38.90	4.06	13.36	2.19
3,000 to 4,999 Sq. Ft.	459,819	+11.04	37.48	4.66	15.91	2.31
5,000 to 9,999 Sq. Ft.	872,931	+6.46	37.09	3.48	13.00	2.59
10,000 Sq. Ft. or more	1,483,692	+5.79	34.69	3.90	14.24	2.62
Type of Ownership						
Proprietorship	371,095	+10.33	37.44	5.75	19.90	1.99
Partnership	549,199	+15.48	37.47	7.85	23.33	2.12
Corporation	912,981	+6.65	36.45	3.66	13.26	2.56
Trade Area Size						
M.S.A. - Central City	923,249	+3.37	41.30	3.67	15.33	2.63
M.S.A. - Suburban	1,137,968	+6.14	37.10	4.31	16.03	2.67
Cities 10,000 to 50,000	886,586	+7.55	37.69	3.38	12.60	2.48
Towns Under 10,000	684,584	+8.38	34.43	4.05	13.56	2.44
Store Location: Part I						
Downtown	682,466	+5.99	36.55	4.27	12.42	2.35
Suburban	1,005,977	+8.12	36.69	3.73	15.61	2.68
Rural	624,743	+7.40	35.10	2.75	12.12	2.37
Store Location: Part II						
Shopping Centers - Neighborhood	688,053	+7.00	37.19	3.21	12.90	2.43
Shopping Centers - Community or Regional	821,358	+8.73	37.98	3.10	14.36	2.81
Free-Standing - No Stores Adjacent	942,112	+6.66	35.32	3.51	11.14	2.43
Free-Standing - Stores Nearby	846,840	+6.84	36.48	4.27	15.14	2.55
Number of Stores						
Single Store Business	809,149	+6.80	36.59	3.81	13.83	2.50
Multiple Store Business	731,266	+8.88	36.66	3.37	13.61	2.39
Age of Operation						
Less Than 3 Years Old	413,830	+26.49	40.46	3.28	29.87	1.80
More Than 3 Years Old	828,480	+6.61	36.57	3.83	13.60	2.55

* As reported by Management Report Contributors.

1988 Monthly Sales

	%
January	6.4
February	5.9
March	7.4
April	9.0
May	9.6
June	9.4
July	8.4
August	8.4
September	8.1
October	8.5
November	8.5
December	10.6

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	763	189	191
Net Sales Volume	$799,386	$571,749	$1,317,738
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+7.04%	+3.70%	+7.32%
Gross Sales	101.66%	101.95%	101.88%
Less: Total Deductions	1.66	1.95	1.88
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.63	66.85	63.56
Margin Before Purchase Rebate or Patronage Dividend	35.37	33.15	36.44
Purchase Rebate or Patronage Dividend	1.22	1.29	1.15
Margin After Purchase Rebate or Patronage Dividend	36.60	34.44	37.58
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	4.34	4.48	4.22
Salaries/Wages – Other Employees	12.46	13.37	12.30
Federal and State Payroll Taxes	1.45	1.59	1.39
Group Insurance	.71	.85	.69
Benefit Plans	.40	.40	.54
Total Payroll and Other Employee Expense	19.36	20.68	19.14
Occupancy Expense			
Heat, Light, Power, Water	1.01	1.27	.86
Building Repairs and Maintenance	.30	.30	.27
Rent or Ownership in Real Estate**	4.01	5.23	3.34
Total Occupancy Expense	5.32	6.79	4.47
Other Costs of Doing Business			
Office Supplies and Postage	.45	.51	.40
Advertising and Promotion	2.59	2.99	2.25
Donations	.07	.06	.08
Telephone and Telegraph	.31	.38	.26
Bad Debts	.19	.45	.15
Credit Card Expense (Bank Charges)	.18	.18	.17
Delivery (Other than Wages)	.29	.31	.23
Leasing Expenses (Non-Occupancy)	.08	.08	.07
Insurance (Other than Real Estate and Group)	.79	.88	.71
Taxes (Other than Real Estate and Payroll)	.49	.35	.60
Interest (Other than Real Estate)	1.18	1.78	.73
Depreciation (Other than Real Estate)	.89	1.16	.74
Store and Shop Supplies	.49	.57	.42
Legal and Accounting	.39	.51	.36
Computer Services and Expenses (Other than Wages)	.19	.25	.17
Dues and Subscriptions	.09	.10	.08
Travel and Entertainment	.23	.23	.20
Miscellaneous Services (Laundry, Disposal, Etc.)	.11	.11	.12
Unclassified Expenses	.72	1.06	.45
Total Other Costs of Doing Business	9.74	11.96	8.20
Total Operating Expenses	34.42	39.44	31.80
Operating Profit or Loss	2.18	-5.00	5.78
Other Income	1.58	2.02	1.56
Net Operating Profit or Loss (Before Income Taxes)	3.76	-2.99	7.34

* As reported to us by Management Report contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

All Stores

Balance Sheet Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Total Dollar Assets	$409,802	$355,849	$635,656
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.58	3.97	8.64
Notes and Installment Contracts Receivable	1.39	1.23	1.59
Accounts Receivable	9.65	10.09	10.33
Merchandise Inventory (End of Year)	51.57	50.55	50.41
Other Current Assets	2.58	4.87	2.02
Total Current Assets	71.77	70.71	72.99
Stocks and Bonds	4.20	3.80	4.80
Real Estate (Not Used In Business)	.75	.63	1.15
Other Investments	7.09	5.51	7.71
Total Investments	12.01	9.94	13.66
Land (Owned and Used In Business)	1.52	2.16	1.59
Building (Owned & Used In Bus. Less Deprec.)	6.16	8.86	4.39
Leasehold Improvements (Less Amortization Allowance)	1.15	1.21	.99
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	4.66	5.30	3.97
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	.94	.89	.84
Other Fixed Assets	1.80	.92	1.58
Total Fixed Assets	16.22	19.34	13.36
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.06	13.88	9.52
Current Portion of Notes Payable	4.98	8.54	3.28
Accrued Payroll Taxes	.61	.70	.49
Accrued Other Taxes	1.23	1.05	1.45
Other Accrued Expenses	1.33	1.55	1.51
Other Current Liabilities	1.46	4.07	.66
Total Current Liabilities	20.67	29.79	16.91
Notes Due Partners/Officers	5.77	7.56	3.37
Mortgage Payable	4.11	6.08	1.93
Long Term Debt	13.77	20.91	9.64
Other Long Term Liabilities	2.58	3.48	1.34
Total Long Term Liabilities	26.23	38.02	16.28
Total Liabilities	46.91	67.81	33.19
Net Worth	53.09	32.19	66.81
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	13.80%	-14.90%	22.76%
Active Owner's Return	29.70%	7.45%	35.84%
Current Asset Ratio	3.47x	2.37x	4.32x
Quick Asset Ratio	.98x	.68x	1.34x
Total Debt to Tangible Net Worth	88.35%	210.65%	49.69%
Stock Turn Times	2.48x	2.16x	2.67
Sales to Inventory Ratio	3.84x	3.22x	4.20x
Average Inventory per Square Foot Sales Area	$30.17	$28.87	$34.26
Net Sales to Accounts Receivable	20.21x	15.42x	20.06x
Net Sales to Total Assets	1.95x	1.61x	2.07x
Net Sales to Net Worth	3.67x	4.99x	3.10x
Net Sales to Net Working Capital	3.82x	3.93x	3.70x

Other Operating Data

Credit Sales – % of Total Gross Sales	30.67%	31.50%	33.22%
Consumer Sales – % of Total Gross Sales	69.33%	68.50%	66.78%
Selling Area – Square Feet	6,838	6,317	9,246
Sales Per Square Foot – Selling Area	$117.58	$95.87	$146.14
Total Area – Square Feet	10,258	9,184	13,968
Sales Per Square Foot – Total Area	$77.81	$65.13	$95.72
Sales Per Person Employed	$84,073	$76,288	$98,259
Sales Per Customer	$11.71	$11.77	$14.22

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

Sales Volume Size

Income Statement Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Number of Stores	102	218	147	296
Net Sales Volume	$168,000	$369,450	$611,587	$1,427,681
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+9.35%	+8.03%	+7.37%	+6.71%
Gross Sales	101.38%	101.60%	101.45%	101.72%
Less: Total Deductions	1.38	1.60	1.45	1.72
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.85	63.34	64.61	64.91
Margin Before Purchase Rebate or Patronage Dividend	36.15	36.66	35.39	35.09
Purchase Rebate or Patronage Dividend	1.40	1.54	1.21	1.16
Margin After Purchase Rebate or Patronage Dividend	37.55	38.20	36.60	36.25
Payroll and Other Employee Expense				
Salaries – Owners/Officers/Managers	3.77	4.86	4.19	4.28
Salaries/Wages – Other Employees	10.50	10.97	12.15	12.90
Federal and State Payroll Taxes	1.29	1.41	1.32	1.49
Group Insurance	.59	.76	.65	.72
Benefit Plans	.06	.15	.15	.52
Total Payroll and Other Employee Expense	16.21	18.15	18.46	19.91
Occupancy Expense				
Heat, Light, Power, Water	1.86	1.40	1.14	.88
Building Repairs and Maintenance	.40	.32	.30	.28
Rent or Ownership in Real Estate**	5.43	5.31	4.31	3.64
Total Occupancy Expense	7.70	7.02	5.76	4.81
Other Costs of Doing Business				
Office Supplies and Postage	.57	.58	.44	.42
Advertising and Promotion	3.12	2.79	2.53	2.56
Donations	.10	.08	.06	.07
Telephone and Telegraph	.59	.37	.34	.26
Bad Debts	.23	.10	.17	.21
Credit Card Expense (Bank Charges)	.14	.14	.14	.20
Delivery (Other than Wages)	.42	.37	.42	.24
Leasing Expenses (Non-Occupancy)	.08	.15	.09	.07
Insurance (Other than Real Estate and Group)	1.38	.90	.99	.70
Taxes (Other than Real Estate and Payroll)	.61	.43	.50	.49
Interest (Other than Real Estate)	1.98	1.67	1.51	.98
Depreciation (Other than Real Estate)	1.23	1.05	.93	.84
Store and Shop Supplies	.68	.51	.50	.47
Legal and Accounting	.69	.52	.41	.35
Computer Services and Expenses (Other than Wages)	.28	.07	.17	.21
Dues and Subscriptions	.15	.10	.09	.08
Travel and Entertainment	.24	.30	.22	.21
Miscellaneous Services (Laundry, Disposal, Etc.)	.17	.11	.10	.11
Unclassified Expenses	.98	.83	.90	.64
Total Other Costs of Doing Business	13.66	11.08	10.53	9.15
Total Operating Expenses	37.57	36.26	34.74	33.87
Operating Profit or Loss	-.02	1.94	1.86	2.38
Other Income	2.64	1.87	1.70	1.45
Net Operating Profit or Loss (Before Income Taxes)	2.62	3.80	3.56	3.84

* As reported to us by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $250,000	$250,000 To $499,999	$500,000 To $749,999	Sales $750,000 Or More
Total Dollar Assets	$130,252	$237,147	$334,155	$671,215
		% of Total Assets		
Assets				
Cash On Hand and In Bank	5.98	5.98	7.76	6.48
Notes and Installment Contracts Receivable	.43	1.54	1.74	1.33
Accounts Receivable	5.39	6.31	10.96	10.48
Merchandise Inventory (End of Year)	60.03	53.16	52.02	50.47
Other Current Assets	.88	3.72	1.23	2.74
Total Current Assets	72.72	70.71	73.71	71.50
Stocks and Bonds	3.66	3.88	3.89	4.39
Real Estate (Not Used In Business)	.89	2.20	.32	.51
Other Investments	3.67	6.14	6.54	7.70
Total Investments	8.22	12.23	10.43	12.60
Land (Owned and Used In Business)	2.12	2.19	1.12	1.40
Buildings (Owned & Used In Business Less Depreciation)	10.46	5.87	7.29	5.67
Leasehold Improvements (Less Amortization Allowance)	.31	.61	.87	1.41
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	4.99	5.10	4.14	4.65
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	.95	1.08	1.11	.86
Other Fixed Assets	.25	2.20	1.33	1.91
Total Fixed Assets	19.06	17.06	15.86	15.89
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	8.75	8.92	11.45	11.68
Current Portion of Notes Payable	7.55	5.59	3.94	4.91
Accrued Payroll Taxes	.81	.63	.55	.60
Accrued Other Taxes	.92	.98	.99	1.37
Other Accrued Expenses	.57	.88	.98	1.59
Other Current Liabilities	4.27	.94	2.64	1.12
Total Current Liabilities	22.88	17.93	20.55	21.27
Notes Due Partners/Officers	7.30	5.43	9.00	4.95
Mortgage Payable	9.56	3.25	3.25	4.18
Long Term Debt	14.74	20.54	13.02	12.14
Other Long Term Liabilities	7.42	2.50	3.36	2.09
Total Long Term Liabilities	39.02	31.72	28.62	23.36
Total Liabilities	61.90	49.66	49.17	44.62
Net Worth	38.10	50.34	50.83	55.38
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	8.88%	11.77%	12.81%	14.74%
Active Owner's Return	21.64%	26.82%	27.91%	31.16%
Current Asset Ratio	3.18x	3.94x	3.59x	3.36x
Quick Asset Ratio	.55x	.98x	1.06x	.99x
Total Debt to Tangible Net Worth	162.45%	98.63%	96.73%	80.59%
Stock Turn Times	1.42x	1.87x	2.33x	2.78x
Sales to Inventory Ratio	2.22x	2.96x	3.60x	4.28x
Average Inventory per Square Foot Sales Area	$21.94	$25.66	$27.47	$33.58
Net Sales to Accounts Receivable	23.92x	24.69x	16.70x	20.29x
Net Sales to Total Assets	1.29x	1.56x	1.83x	2.13x
Net Sales to Net Worth	3.39x	3.09x	3.60x	3.84x
Net Sales to Net Working Capital	2.59x	2.95x	3.44x	4.23x

Other Operating Data

Credit Sales -- % of Total Gross Sales	25.41%	27.78%	34.59%	30.76%
Consumer Sales -- % of Total Gross Sales	74.59%	72.22%	65.41%	69.24%
Selling Area -- Square Feet	3,506	4,794	6,042	9,810
Sales Per Square Foot -- Selling Area	$48.83	$77.06	$100.67	$145.32
Total Area -- Square Feet	4,868	7,053	9,745	14,741
Sales Per Square Foot -- Total Area	$35.16	$52.60	$62.46	$97.12
Sales Per Person Employed	$48,821	$71,407	$80,874	$92,087
Sales Per Customer	$8.59	$9.20	$10.35	$12.80

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Number of Stores	84	192	254	125
Net Sales Volume	$367,478	$459,819	$872,931	$1,483,692
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+7.75%	+11.04%	+6.46%	+5.79%
Gross Sales	101.44%	101.47%	101.49%	102.36%
Less: Total Deductions	1.44	1.47	1.49	2.36
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	62.08	63.54	64.16	65.42
Margin Before Purchase Rebate or Patronage Dividend	37.92	36.46	35.84	33.58
Purchase Rebate or Patronage Dividend	.98	1.02	1.25	1.11
Margin After Purchase Rebate or Patronage Dividend	38.90	37.48	37.09	34.69
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	5.65	4.94	4.88	3.76
Salaries/Wages -- Other Employees	12.12	11.37	12.40	12.48
Federal and State Payroll Taxes	1.68	1.40	1.50	1.37
Group Insurance	.87	.71	.71	.67
Benefit Plans	.15	.23	.36	.50
Total Payroll and Other Employee Expense	20.46	18.66	19.85	18.78
Occupancy Expense				
Heat, Light, Power, Water	.96	1.14	.95	.96
Building Repairs and Maintenance	.38	.28	.30	.27
Rent or Ownership in Real Estate**	4.84	4.46	3.91	3.50
Total Occupancy Expense	6.18	5.89	5.17	4.73
Other Costs of Doing Business				
Office Supplies and Postage	.57	.51	.46	.41
Advertising and Promotion	1.77	2.20	2.66	2.69
Donations	.09	.08	.06	.08
Telephone and Telegraph	.48	.35	.35	.23
Bad Debts	.17	.13	.28	.14
Credit Card Expense (Bank Charges)	.15	.15	.19	.18
Delivery Expenses (Other than Wages)	.37	.29	.35	.19
Leasing Expenses (Non-Occupancy)	.19	.12	.07	.07
Insurance (Other than Real Estate and Group)	1.17	.87	.84	.70
Taxes (Other than Real Estate and Payroll)	.50	.46	.48	.53
Interest (Other than Real Estate)	1.03	1.28	1.04	1.11
Depreciation (Other than Real Estate)	.85	1.01	.93	.70
Store and Shop Supplies	.62	.44	.50	.41
Legal and Accounting	.41	.46	.38	.38
Computer Services and Expenses (Other than Wages)	.09	.14	.25	.20
Dues and Subscriptions	.09	.10	.10	.07
Travel and Entertainment	.18	.28	.22	.22
Miscellaneous Services (Laundry, Disposal, Etc.)	.08	.11	.09	.12
Unclassified Expenses	1.13	.85	.87	.49
Total Other Costs of Doing Business	9.93	9.81	10.10	8.91
Total Operating Expenses	36.57	34.36	35.12	32.43
Operating Profit or Loss	2.34	3.13	1.97	2.26
Other Income	1.72	1.53	1.51	1.64
Net Operating Profit or Loss (Before Income Taxes)	4.06	4.66	3.48	3.90

* As reported to us by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	5,000 Sq. Ft. To 9,999 Sq. Ft.	Sales Area 10,000 Sq. Ft. Or More
Total Dollar Assets	$192,168	$244,527	$417,876	$736,946
Assets		% of Total Assets		
Cash On Hand and In Bank	8.2	8.50	6.47	6.40
Notes and Installment Contracts Receivable	.79	1.05	2.13	1.44
Accounts Receivable	11.12	10.54	9.90	9.48
Merchandise Inventory (End of Year)	55.04	52.52	52.78	51.48
Other Current Assets	4.86	.76	1.71	2.77
Total Current Assets	80.03	73.38	72.99	71.57
Stocks and Bonds	3.00	2.99	5.17	4.41
Real Estate (Not Used In Business)	.17	1.17	.40	1.37
Other Investments	3.61	4.81	8.02	7.53
Total Investments	6.79	8.97	13.29	13.31
Land (Owned and Used In Business)	.96	1.38	1.42	1.34
Buildings (Owned & Used In Bus. Less Deprec.)	4.97	7.84	4.03	5.94
Leasehold Improvements (Less Amortization Allowance)	1.03	.61	1.53	1.36
Furniture, Fixtures, Eqpmt. (Owned & Used in Bus. Less Deprec.)	3.39	4.98	4.85	4.30
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	1.19	1.27	1.08	.61
Other Fixed Assets	1.64	1.57	.81	1.56
Total Fixed Assets	13.18	17.65	13.72	15.12
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities and Net Worth				
Accounts Payable	10.21	10.26	11.81	10.71
Current Portion of Notes Payable	5.37	4.46	5.40	5.84
Accrued Payroll Taxes	.69	.66	.68	.48
Accrued Other Taxes	.80	.75	1.25	1.32
Other Accrued Expenses	.43	.83	1.23	1.46
Other Current Liabilities	1.45	2.57	2.10	.74
Total Current Liabilities	18.96	19.54	22.46	20.54
Notes Due Partners/Officers	8.67	5.06	4.80	6.29
Mortgage Payable	2.47	4.64	2.07	5.05
Long Term Debt	7.71	13.60	11.85	10.71
Other Long Term Liabilities	4.13	2.11	2.92	2.24
Total Long Term Liabilities	22.98	25.41	21.65	24.30
Total Liabilities	41.93	44.95	44.11	44.84
Net Worth	58.07	55.05	55.89	55.16
Total Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	13.36%	15.91%	13.00%	14.24%
Active Owner's Return	31.95%	32.79%	31.23%	27.98%
Current Asset Ratio	4.22x	3.76x	3.25x	3.48x
Quick Asset Ratio	1.32x	1.07x	.90x	.98x
Total Debt to Tangible Net Worth	72.21%	81.65%	78.92%	81.28%
Stock Turn Times	2.19x	2.31x	2.59x	2.62x
Sales to Inventory Ratio	3.52x	3.64x	4.04x	3.94x
Average Inventory per Square Foot Sales Area	$48.46	$32.07	$31.19	$26.50
Net Sales to Accounts Receivable	17.19x	17.84x	21.09x	21.25x
Net Sales to Total Assets	1.91x	1.88x	2.09x	2.01x
Net Sales to Net Worth	3.29x	3.42x	3.74x	3.65x
Net Sales to Net Working Capital	3.13x	3.49x	4.13x	3.95x
Other Operating Data				
Credit Sales -- % of Total Gross Sales	37.50%	34.52%	27.69%	32.95%
Consumer Sales -- % of Total Gross Sales	62.50%	65.48%	72.31%	67.05%
Selling Area -- Square Feet	2,153	3,943	6,931	14,214
Sales Per Square Foot -- Selling Area	$170.67	$116.60	$125.94	$104.38
Total Area -- Square Feet	4,576	6,314	10,444	20,051
Sales Per Square Foot -- Total Area	$79.00	$73.13	$83.49	$74.00
Sales Per Person Employed	$78,220	$83,867	$85,319	$89,212
Sales Per Customer	$12.69	$9.33	$11.70	$14.39

Figures may not add to totals indicated due to rounding.

Type of Ownership

Income Statement Data	Sole Proprietorship	Partnership	Corporation
Number of Stores	117	25	562
Net Sales Volume	$371,095	$549,199	$912,981
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+10.33%	+15.48%	+6.65%
Gross Sales	101.76%	101.59%	101.72%
Less: Total Deductions	1.76	1.59	1.72
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.23	64.26	64.68
Margin Before Purchase Rebate or Patronage Dividend	35.77	35.74	35.32
Purchase Rebate or Patronage Dividend	1.66	1.73	1.14
Margin After Purchase Rebate or Patronage Dividend	37.44	37.47	36.45
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	3.55	2.06	4.49
Salaries/Wages -- Other Employees	10.96	11.90	12.50
Federal and State Payroll Taxes	1.14	1.20	1.49
Group Insurance	.61	.72	.72
Benefit Plans	.20	.02	.44
Total Payroll and Other Employee Expense	16.47	15.90	19.63
Occupancy Expense			
Heat, Light, Power, Water	1.26	1.14	.98
Building Repairs and Maintenance	.36	.16	.30
Rent or Ownership in Real Estate**	4.06	3.69	3.90
Total Occupancy Expense	5.68	4.99	5.17
Other Costs of Doing Business			
Advertising and Promotion	2.69	2.88	2.57
Insurance (Other than Real Estate and Group)	.91	.60	.79
Taxes (Other than Real Estate and Payroll)	.43	.14	.51
Interest (Other than Real Estate)	1.79	1.70	1.04
Depreciation (Other than Real Estate)	.82	.86	.86
All Other Expenses	4.41	3.81	3.76
Total Other Costs of Doing Business	11.05	10.00	9.52
Total Operating Expenses	33.20	30.88	34.32
Operating Profit or Loss	4.23	6.59	2.13
Other Income	1.52	1.26	1.53
Net Operating Profit or Loss (Before Income Taxes)	5.75	7.85	3.66
Financial Performance			
Profit on Investment	19.90%	23.33%	13.26%
Active Owner's Return	32.19%	29.45%	29.50%
Current Asset Ratio	4.07x	7.17x	3.3x
Quick Asset Ratio	.86x	1.75x	.98x
Total Debt to Tangible Net Worth	107.82%	67.59%	79.75%
Stock Turn Times	1.99x	2.12x	2.56x
Sales to Inventory Ratio	3.10x	3.31x	3.96x
Average Inventory per Square Foot Sales Area	$26.25	$31.96	$30.63
Net Sales to Accounts Receivable	20.39x	20.65x	19.95x
Net Sales to Total Assets	1.67x	1.77x	2.01x
Net Sales to Net Worth	3.46x	2.97x	3.62x
Net Sales to Net Working Capital	3.23x	2.84x	3.93x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	31.00%	36.35%	31.27%
Consumer Sales -- % of Total Gross Sales	69.00%	63.65%	68.73%
Selling Area -- Square Feet	4,631	4,310	7,456
Sales Per Square Foot -- Selling Area	$80.06	$112.31	$122.35
Total Area -- Square Feet	6,742	8,492	11,151
Sales Per Square Foot -- Total Area	$54.65	$57.59	$81.17
Sales Per Person Employed	$72,164	$82,105	$86,706
Sales Per Customer	$7.64	$10.88	$12.27

*As reported to us by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Trade Area Size

Income Statement Data	M.S.A.† Central City	M.S.A.† Suburban	Cities 10,000 To 50,000	Towns Under 10,000
Number of Stores	101	55	157	412
Net Sales Volume	$923,249	$1,137,968	$886,086	$684,584
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+3.37%	+6.14%	+7.55%	+8.38%
Gross Sales	101.88%	102.44%	101.61%	101.53%
Less: Total Deductions	1.88	2.44	1.61	1.53
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	59.75	64.01	63.63	66.81
Margin Before Purchase Rebate or Patronage Dividend	40.25	35.99	36.37	33.19
Purchase Rebate or Patronage Dividend	1.05	1.11	1.32	1.24
Margin After Purchase Rebate or Patronage Dividend	41.30	37.10	37.69	34.43
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	4.41	4.35	4.69	4.21
Salaries/Wages -- Other Employees	15.28	13.45	12.89	11.12
Federal and State Payroll Taxes	1.64	1.54	1.46	1.37
Group Insurance	.86	.79	.78	.62
Benefit Plans	.54	.34	.45	.38
Total Payroll and Other Employee Expense	22.74	20.48	20.26	17.71
Occupancy Expense				
Heat, Light, Power, Water	.98	.88	1.10	1.00
Building Repairs and Maintenance	.28	.22	.37	.28
Rent or Ownership in Real Estate**	4.62	3.48	4.38	3.56
Total Occupancy Expense	5.89	4.59	5.84	4.84
Other Costs of Doing Business				
Advertising and Promotion	2.52	2.69	2.90	2.36
Insurance (Other than Real Estate and Group)	.87	.73	.78	.81
Taxes (Other than Real Estate and Payroll)	.60	.50	.46	.48
Interest (Other than Real Estate)	1.01	.87	1.27	1.14
Depreciation (Other than Real Estate)	.81	.80	.88	.90
All Other Expenses	4.38	3.48	3.45	3.86
Total Other Costs of Doing Business	10.19	9.07	9.75	9.54
Total Operating Expenses	38.81	34.14	35.85	32.09
Operating Profit or Loss	2.49	2.96	1.83	2.34
Other Income	1.18	1.35	1.54	1.71
Net Operating Profit or Loss (Before Income Taxes)	3.67	4.31	3.38	4.05
Financial Performance				
Profit on Investment	15.33%	16.03%	12.60%	13.56%
Active Owner's Return	33.76%	32.24%	30.11%	27.66%
Current Asset Ratio	3.15x	3.79x	2.89x	4.04x
Quick Asset Ratio	.93x	1.06x	.80x	1.12x
Total Debt to Tangible Net Worth	89.43%	72.54%	97.71%	70.85%
Stock Turn Times	2.63x	2.67x	2.48x	2.44x
Sales to Inventory Ratio	4.40x	4.17x	3.90x	3.65x
Average Inventory per Square Foot Sales Area	$28.28	$35.10	$31.22	$29.93
Net Sales to Accounts Receivable	26.07x	22.63x	18.59x	18.96x
Net Sales to Total Assets	2.21x	2.16x	1.89x	1.96x
Net Sales to Net Worth	4.18x	3.72x	3.73x	3.35x
Net Sales to Net Working Capital	4.48x	4.04x	4.25x	3.46x
Other Operating Data				
Credit Sales -- % of Total Gross Sales	29.83%	28.85%	33.47%	31.91%
Consumer Sales -- % of Total Gross Sales	70.17%	71.15%	66.53%	68.09%
Selling Area -- Square Feet	7,312	8,242	7,032	6,359
Sales Per Square Foot -- Selling Area	$122.95	$139.63	$121.17	$110.63
Total Area -- Square Feet	10,278	12,605	11,521	9,364
Sales Per Square Foot -- Total Area	$86.23	$97.83	$73.38	$74.40
Sales Per Person Employed	$76,694	$85,944	$82,038	$89,708
Sales Per Customer	$11.04	$12.71	$10.12	$12.70

* As reported to us by Management Reoprt contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

† Metropolitan Statistical Area

Figures may not add to totals indicated due to rounding.

Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	297	291	69
Net Sales Volume	$682,466	$1,005,977	$624,743
Current year's sales vs. previous year (1988 vs. 1987)*	+5.99%	+8.12%	+7.40%
Gross Sales	101.87%	101.69%	101.49%
Less: Total Deductions	1.87	1.69	1.49
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	64.57	64.49	66.24
Margin Before Purchase Rebate or Patronage Dividend	35.43	35.51	33.76
Purchase Rebate or Patronage Dividend	1.12	1.18	1.34
Margin After Purchase Rebate or Patronage Dividend	36.55	36.69	35.10
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	4.47	4.46	4.60
Salaries/Wages -- Other Employees	12.63	12.37	11.39
Federal and State Payroll Taxes	1.57	1.39	1.39
Group Insurance	.73	.70	.65
Benefit Plans	.31	.49	.36
Total Payroll and Other Employee Expense	19.72	19.41	18.39
Occupancy Expense			
Heat, Light, Power, Water	1.02	.96	.99
Building Repairs and Maintenance	.31	.29	.39
Rent or Ownership in Real Estate**	3.54	4.09	3.95
Total Occupancy Expense	4.87	5.34	5.33
Other Costs of Doing Business			
Advertising and Promotion	2.48	2.64	2.51
Insurance (Other than Real Estate and Group)	.85	.73	1.04
Taxes (Other than Real Estate and Payroll)	.60	.41	.43
Interest (Other than Real Estate)	1.08	1.06	1.30
Depreciation (Other than Real Estate)	.84	.84	1.07
All Other Expenses	3.76	3.76	4.49
Total Other Costs of Doing Business	9.61	9.43	10.83
Total Operating Expenses	34.19	34.18	34.55
Operating Profit or Loss	2.36	2.51	.55
Other Income	1.91	1.22	2.20
Net Operating Profit or Loss (Before Income Taxes)	4.27	3.73	2.75
Financial Performance			
Profit on Investment	12.42%	15.61%	12.12%
Active Owner's Return	25.44%	34.28%	32.36%
Current Asset Ratio	3.67x	3.21x	3.24x
Quick Asset Ratio	1.10x	.87x	.96x
Total Debt to Tangible Net Worth	64.25%	93.43%	118.37%
Stock Turn Times	2.35x	2.68x	2.37x
Sales to Inventory Ratio	3.63x	4.16x	3.57x
Average Inventory per Square Foot Sales Area	$30.35	$30.28	$30.38
Net Sales to Accounts Receivable	16.46x	23.44x	17.27x
Net Sales to Total Assets	1.77x	2.17x	2.02x
Net Sales to Net Worth	2.91x	4.19x	4.40x
Net Sales to Net Working Capital	3.45x	4.32x	3.59x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	35.67%	29.42%	31.25%
Consumer Sales -- % of Total Gross Sales	64.33%	70.58%	68.75%
Selling Area -- Square Feet	6,123	7,898	5,782
Sales Per Square Foot -- Selling Area	$110.57	$125.15	$108.69
Total Area -- Square Feet	10,103	11,071	8,748
Sales Per Square Foot -- Total Area	$66.85	$88.44	$71.83
Sales Per Person Employed	$85,362	$85,635	$84,643
Sales Per Customer	$12.20	$11.13	$16.28

*As reported to us by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Store Location: Part II

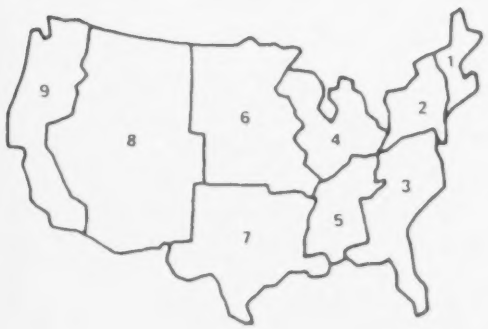
Income Statement Data	Shopping Center: Neighborhood	Shopping Center: Community or Regional	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	125	74	81	368
Net Sales Volume	$688,053	$821,358	$942,112	$846,840
Current year's sales vs. previous year (1988 vs. 1987)*	+7.00%	+8.73%	+6.66%	+6.84%
Gross Sales	101.16%	101.75%	101.63%	101.88%
Less: Total Deductions	1.16	1.75	1.63	1.88
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	64.05	63.43	65.93	64.55
Margin Before Purchase Rebate or Patronage Dividend	35.95	36.57	34.07	35.45
Purchase Rebate or Patronage Dividend	1.24	1.40	1.25	1.04
Margin After Purchase Rebate or Patronage Dividend	37.19	37.98	35.32	36.48
Payroll and Other Employee Expense				
Salaries -- Owners/Officers/Managers	4.40	4.40	4.22	4.61
Salaries/Wages -- Other Employees	12.15	12.79	12.01	12.52
Federal and State Payroll Taxes	1.58	1.49	1.40	1.45
Group Insurance	.65	.56	.81	.74
Benefit Plans	.31	.54	.70	.35
Total Payroll and Other Employee Expense	19.10	19.78	19.14	19.67
Occupancy Expense				
Heat, Light, Power, Water	1.14	1.06	.96	.92
Building Repairs and Maintenance	.26	.34	.36	.29
Rent or Ownership in Real Estate**	4.99	5.28	3.15	3.54
Total Occupancy Expense	6.39	6.69	4.46	4.75
Other Costs of Doing Business				
Advertising and Promotion	2.83	2.80	2.42	2.45
Insurance (Other than Real Estate and Group)	.78	.60	.86	.82
Taxes (Other than Real Estate and Payroll)	.35	.53	.52	.51
Interest (Other than Real Estate)	1.11	.93	1.29	1.01
Depreciation (Other than Real Estate)	.93	1.00	.86	.81
All Other Expenses	3.40	3.78	3.65	3.94
Total Other Costs of Doing Business	9.40	9.63	9.61	9.55
Total Operating Expenses	34.89	36.09	33.21	33.97
Operating Profit or Loss	2.30	1.88	2.11	2.52
Other Income	.91	1.21	1.39	1.76
Net Operating Profit or Loss (Before Income Taxes)	3.21	3.10	3.51	4.27
Financial Performance				
Profit on Investment	12.90%	14.36%	11.14%	15.14%
Active Owner's Return	30.62%	34.76%	24.54%	31.48%
Current Asset Ratio	3.38x	3.07x	3.58x	3.43x
Quick Asset Ratio	.88x	.95x	1.14x	.98x
Total Debt to Tangible Net Worth	94.52%	105.07%	80.74%	75.64%
Stock Turn Times	2.43x	2.81x	2.43x	2.55x
Sales to Inventory Ratio	3.79x	4.44x	3.69x	3.95x
Average Inventory per Square Foot Sales Area	$26.06	$25.00	$31.79	$32.44
Net Sales to Accounts Receivable	24.53x	26.40x	15.06x	19.57x
Net Sales to Total Assets	2.07x	2.26x	1.76x	2.02x
Net Sales to Net Worth	4.03x	4.63x	3.18x	3.54x
Net Sales to Net Working Capital	3.92x	4.42x	3.48x	3.93x
Other Operating Data				
Credit Sales -- % of Total Gross Sales	20.40%	21.83%	28.54%	36.61%
Consumer Sales -- % of Total Gross Sales	79.60%	78.17%	71.46%	63.39%
Selling Area -- Square Feet	7,034	7,054	7,663	6,639
Sales Per Square Foot -- Selling Area	$98.00	$113.15	$116.17	$128.28
Total Area -- Square Feet	9,176	9,657	11,727	10,590
Sales Per Square Foot -- Total Area	$74.29	$81.14	$73.66	$80.58
Sales Per Person Employed	$77,666	$81,252	$89,022	$87,714
Sales Per Customer	$9.35	$6.99	$14.18	$13.55

* As reported to us by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

* As reported to us by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Income Statement Data	1 New England
Number of Stores	81
Net Sales Volume	$824,787
Current year's sales vs. previous year (1988 vs. 1987)*	+9.85%
Gross Sales	101.50%
Less: Total Deductions	1.50
Net Sales	100.00%
Cost of Goods Sold	63.87
Margin Before Purchase Rebate or Patronage Dividend	36.13
Purchase Rebate or Patronage Dividend	1.25
Margin After Purchase Rebate or Patronage Dividend	37.38
Payroll and Other Employee Expense	
Salaries -- Owners/Officers/Managers	4.59
Salaries/Wages -- Other Employees	13.35
Federal and State Payroll Taxes	1.48
Group Insurance	.84
Benefit Plans	.46
Total Payroll and Other Employee Expense	20.72
Occupancy Expense	
Heat, Light, Power, Water	.79
Building Repairs and Maintenance	.20
Rent or Ownership in Real Estate**	4.10
Total Occupancy Expense	5.09
Other Costs of Doing Business	
Advertising and Promotion	2.08
Insurance (Other than Real Estate and Group)	.91
Taxes (Other than Real Estate and Payroll)	.33
Interest (Other than Real Estate)	.88
Depreciation (Other than Real Estate)	.99
All Other Expenses	3.85
Total Other Costs of Doing Business	9.04
Total Operating Expense	34.85
Operating Profit or Loss	2.53
Other Income	1.41
Net Operating Profit or Loss (Before Income Taxes)	3.94
Financial Performance	
Profit on Investment	14.57%
Active Owner's Return	31.56%
Current Asset Ratio	3.91x
Quick Asset Ratio	1.31x
Total Debt to Tangible Net Worth	65.20%
Stock Turn Times	2.80x
Sales to Inventory Ratio	4.38x
Average Inventory per Sq. Ft. Sales Area	$41.89
Net Sales to Accounts Receivable	17.29x
Net Sales to Total Assets	2.24x
Net Sales to Net Worth	3.70x
Net Sales to Net Working Capital	3.82x
Other Operating Data	
Credit Sales -- % of Total Gross Sales	41.55%
Consumer Sales -- % of Total Gross Sales	58.45%
Selling Area -- Square Feet	4,707
Sales Per Square Foot -- Selling Area	$177.69
Total Area -- Square Feet	7,829
Sales Per Square Foot -- Total Area	$104.08
Sales Per Person Employed	$100,195
Sales Per Customer	$10.12

Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
68	96	236	34	91	46	31	62
$798,576	$865,303	$823,075	$572,759	$673,716	$837,042	$787,582	$809,075
+5.45%	+8.28%	+8.14%	+5.34%	+4.99%	+6.00%	+10.57%	+2.65%
102.08%	101.76%	101.56%	102.32%	100.87%	103.81%	100.78%	101.00%
2.08	1.76	1.56	2.32	.87	3.81	.78	1.00
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
64.37	61.99	66.35	67.43	64.77	62.35	64.82	64.24
35.63	38.01	33.65	32.57	35.23	37.65	35.18	35.76
.67	.98	1.54	1.35	1.20	.66	1.44	1.54
36.30	38.99	35.19	33.92	36.43	38.30	36.62	37.30
4.37	5.51	3.58	4.08	4.45	4.59	4.64	4.55
12.02	13.38	12.13	11.01	12.29	12.96	13.05	12.19
1.57	1.34	1.46	1.07	1.41	1.46	1.42	1.57
.88	.70	.64	.50	.68	.75	.80	.81
.70	.49	.23	.12	.82	.33	.08	.37
19.53	21.41	18.04	16.78	19.64	20.08	20.00	19.48
.96	1.01	1.13	1.17	1.16	1.04	.81	.76
.32	.31	.29	.47	.37	.31	.16	.30
3.55	4.23	3.85	3.78	3.58	4.62	3.76	4.17
4.83	5.55	5.27	6.42	5.11	5.97	4.74	5.23
2.43	2.32	2.83	1.96	3.02	2.31	2.49	3.06
1.00	.76	.68	.90	.77	.87	.81	.88
.55	.47	.48	.58	.49	.81	.26	.48
1.09	.99	1.46	.93	1.17	.98	1.51	1.04
.93	.98	.94	.91	.75	.62	.74	.84
3.82	3.79	3.52	7.12	3.41	3.37	4.09	3.99
9.82	9.31	8.91	12.39	9.62	8.95	9.89	10.29
34.17	36.27	33.22	35.59	34.37	35.00	34.62	35.00
2.12	2.72	1.97	-1.67	2.06	3.31	2.00	2.30
1.38	1.21	1.72	3.54	2.29	1.88	1.96	1.00
3.50	3.93	3.69	1.86	3.35	5.19	3.96	3.31
14.07%	14.86%	14.08%	6.58%	10.18%	14.38%	18.76%	12.92%
31.67%	35.66%	27.72%	20.99%	23.69%	27.10%	40.76%	30.68%
2.48x	3.97x	3.86x	3.05x	3.23x	6.06x	3.35x	2.81x
.74x	1.08x	.94x	.97x	.89x	1.46x	.88x	.92x
93.06%	76.24%	100.44%	103.68%	75.27%	48.91%	123.21%	81.64%
2.74x	2.53x	2.45x	2.19x	2.23x	2.12x	2.43x	2.77x
4.26x	4.09x	3.69x	3.25x	3.45x	3.40x	3.74x	4.31x
$35.21	$30.01	$30.19	$32.12	$23.94	$29.59	$29.93	$28.46
22.41x	22.09x	23.14x	14.45x	16.94x	21.80x	22.54x	17.00x
2.08x	2.14x	1.90x	1.73x	1.73x	1.86x	2.12x	2.15x
4.02x	3.78x	3.81x	3.53x	3.04x	2.77x	4.74x	3.91x
4.85x	3.92x	3.69x	3.34x	3.60x	3.07x	3.93x	4.50x
39.07%	29.79%	24.872%	41.32%	19.88%	37.64%	31.99%	32.47%
60.93%	70.21%	75.13%	58.68%	80.12%	62.36%	68.01%	67.53%
5,772	6,955	7,373	5,571	7,162	8,386	7,117	6,832
$138.34	$122.71	$117.86	$103.98	$77.58	$99.91	$113.60	$121.22
9,817	10,175	10,743	8,932	11,577	12,567	10,331	8,885
$81.35	$84.45	$79.99	$61.89	$49.26	$66.67	$76.24	$91.71
$84.463	$75,932	$93,221	$86,612	$70,547	$81,864	$83,216	$85,564
$13.98	$11.02	$12.14	$14.06	$8.90	$15.06	$11.31	$12.13

Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	667	96
Net Sales Volume	$809,149	$731,266
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+6.80%	+8.88%
Gross Sales	101.57%	102.34%
Less: Total Deductions	1.57	2.34
Net Sales	100.00%	100.00%
Cost of Goods Sold	64.64	64.50
Margin Before Purchase Rebate or Patronage Dividend	35.36	35.50
Purchase Rebate or Patronage Dividend	1.23	1.16
Margin After Purchase Rebate or Patronage Dividend	36.59	36.66
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	4.49	3.10
Salaries/Wages -- Other Employees	12.35	13.31
Federal and State Payroll Taxes	1.45	1.43
Group Insurance	.73	.55
Benefit Plans	.41	.38
Total Payroll and Other Employee Expense	19.44	18.76
Occupancy Expense		
Heat, Light, Power, Water	1.00	1.13
Building Repairs and Maintenance	.30	.28
Rent or Ownership in Real Estate**	3.94	4.56
Total Occupancy Expense	5.24	5.98
Other Costs of Doing Business		
Advertising and Promotion	2.57	2.83
Insurance (Other than Real Estate and Group)	.81	.66
Taxes (Other than Real Estate and Payroll)	.50	.36
Interest (Other than Real Estate)	1.17	1.23
Depreciation (Other than Real Estate)	.89	.93
All Other Expenses	3.82	3.53
Total Other Costs of Doing Business	9.76	9.53
Total Operating Expenses	34.44	34.27
Operating Profit or Loss	2.15	2.39
Other Income	1.65	.98
Net Operating Profit or Loss (Before Income Taxes)	3.81	3.37
Financial Performance		
Profit on Investment	13.83%	13.61%
Active Owner's Return	30.12%	26.10%
Current Asset Ratio	3.58x	2.80x
Quick Asset Ratio	1.02x	.71x
Total Debt to Tangible Net Worth	86.85%	101.16%
Stock Turn Times	2.50x	2.39x
Sales to Inventory Ratio	3.86x	3.70x
Average Inventory per Square Foot Sales Area	$30.68	$26.78
Net Sales to Accounts Receivable	19.84x	23.63x
Net Sales to Total Assets	1.94x	2.01x
Net Sales to Net Worth	3.63x	4.03x
Net Sales to Net Working Capital	3.77x	4.18x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	31.20%	27.77%
Consumer Sales -- % of Total Gross Sales	68.80%	72.23%
Selling Area -- Square Feet	6,813	7,002
Sales Per Square Foot -- Selling Area	$120.50	$98.45
Total Area -- Square Feet	10,317	9,845
Sales Per Square Foot -- Total Area	$78.73	$71.08
Sales Per Person Employed	$86,068	$77,953
Sales Per Customer	$11.69	$11.85

* As reported to us by Management Report contributors

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Age of Operation

Income Statement Data	Less Than 3 Years Old	More Than 3 Years Old
Number of Stores	31	589
Net Sales Volume	$413,830	$828,480
Current year's sales vs. previous year (1988 vs. 1987)*	+26.49%	+6.61%
Gross Sales	101.08%	101.73%
Less: Total Deductions	1.08	1.73
Net Sales	100.00%	100.00%
Cost of Goods Sold	61.27	64.53
Margin Before Purchase Rebate or Patronage Dividend	38.73	35.47
Purchase Rebate or Patronage Dividend	1.73	1.10
Margin After Purchase Rebate or Patronage Dividend	40.46	36.57
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	3.29	4.51
Salaries/Wages -- Other Employees	11.04	12.48
Federal and State Payroll Taxes	1.52	1.46
Group Insurance	.56	.70
Benefit Plans	.04	.43
Total Payroll and Other Employee Expense	16.45	19.58
Occupancy Expense		
Heat, Light, Power, Water	1.58	.97
Building Repairs and Maintenance	.43	.32
Rent or Ownership in Real Estate**	5.65	3.90
Total Occupancy Expense	7.66	5.19
Other Costs of Doing Business		
Advertising and Promotion	3.62	2.49
Insurance (Other than Real Estate and Group)	.76	.80
Taxes (Other than Real Estate and Payroll)	.21	.50
Interest (Other than Real Estate)	2.78	1.03
Depreciation (Other than Real Estate)	1.78	.83
All Other Expenses	4.94	3.84
Total Other Costs of Doing Business	14.08	9.50
Total Operating Expenses	38.20	34.27
Operating Profit or Loss	2.26	2.30
Other Income	1.02	1.53
Net Operating Profit or Loss (Before Income Taxes)	3.28	3.83
Financial Performance		
Profit on Investment	29.87%	13.60%
Active Owner's Return	59.79%	29.60%
Current Asset Ratio	3.49x	3.46x
Quick Asset Ratio	.61x	.99x
Total Debt to Tangible Net Worth	458.25%	75.20%
Stock Turn Times	1.80x	2.55x
Sales to Inventory Ratio	2.94x	3.96x
Average Inventory per Square Foot Sales Area	$26.86	$30.05
Net Sales to Accounts Receivable	32.59x	19.84x
Net Sales to Total Assets	1.63x	2.02x
Net Sales to Net Worth	9.10x	3.55x
Net Sales to Net Working Capital	3.26x	3.93x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	25.34%	31.67%
Consumer Sales -- % of Total Gross Sales	74.66%	68.33%
Selling Area -- Square Feet	5,247	6,919
Sales Per Square Foot -- Selling Area	$78.87	$118.60
Total Area -- Square Feet	7,383	10,402
Sales Per Square Foot -- Total Area	$57.36	$78.29
Sales Per Person Employed	$65,465	$85,624
Sales Per Customer	$10.73	$11.71

* As reported to us by Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Departmental Sales

The Departmental Sales section of the Management Report offers a variety of information for fourteen departments carried in retail hardware outlets.

Departmental Contribution
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden department in The Management Report shows 90.0% of the reporting stores have a Lawn and Garden department. The data shown for the Lawn and Garden department are only for the 90% of stores who carry lawn and garden merchandise. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other hardware stores which also carry that department.

The Management Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a hardlines retailer carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Automotive Supplies. Assume The Management Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Automotive Supplies	5.0%

The total of these percents equals 50.0. Now Jivide the total (50.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{50.0}$	= 30.0%
Hand Tools	$\frac{10.0}{50.0}$	= 20.0%
Paint & Home Decorating	$\frac{20.0}{50.0}$	= 40.0%
Automotive Supplies	$\frac{5.0}{50.0}$	= 10.0%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Lawn and Garden's GMROI, for example is 1.37 which means $1.37 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

 ©National Retail Hardware Association

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	15.3	17.3	16.4	114.58	15.3	17.3	16.4
Hand Tools	100.0	6.5	6.9	7.1	140.44	6.0	6.5	6.7
Power Tools & Accessories	100.0	5.0	5.1	6.4	155.30	4.5	4.7	5.8
Plumbing, Heating & Cooling	100.0	13.3	12.2	12.5	134.27	13.2	12.0	12.2
Electrical Supplies	100.0	10.1	8.6	9.4	145.40	9.9	8.5	9.2
Paint & Home Decorating	98.3	12.9	11.6	12.1	139.69	12.7	11.4	11.9
Lumber	18.3	3.7	3.3	3.9	133.72	.8	.7	.8
Building Materials	30.6	4.9	4.0	4.0	129.46	1.7	1.4	1.5
Lawn & Garden	96.3	12.7	12.3	11.8	115.92	12.1	11.7	11.2
Housewares	87.2	8.5	11.4	9.2	93.84	7.6	10.0	8.2
Automotive Supplies	78.7	3.5	4.1	3.6	118.80	2.8	3.1	2.8
Major Appliances & Home Entertainment	30.1	8.5	6.0	8.8	135.16	2.9	1.8	2.8
Sporting Goods & Outdoor Living	61.5	4.7	6.5	5.8	119.61	3.1	3.9	3.5
Miscellaneous Goods	79.4	9.4	8.8	8.6	121.60	7.6	7.0	7.0
					Total	100.0%	100.0%	100.0%

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	44.5	3.7	1.66
Hand Tools	38.2	3.8	1.45
Power Tools & Accessories	30.5	3.7	1.16
Plumbing, Heating & Cooling	43.6	4.5	1.95
Electrical Supplies	42.3	4.3	1.83
Paint & Home Decorating	39.1	4.2	1.64
Lumber	30.9	3.3	1.17
Building Materials	34.4	4.9	1.72
Lawn & Garden	34.7	4.0	1.37
Housewares	34.8	3.7	1.29
Automotive Supplies	34.9	4.1	1.41
Major Appliances & Home Entertainment	26.3	3.7	.95
Sporting Goods & Outdoor Living	32.1	3.9	1.36
Miscellaneous Goods	35.4	3.7	1.41

Definition of Terms

Income Statement Data – The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Management Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume – The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions – Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold – Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend – The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend – Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the retailer.

Salaries – Owners/Officers/Managers – The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages – Other Employees – The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes – Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance – All premiums paid to insure employees for health and accident protection.

Benefit Plans – The employers' share of cost for employee welfare/benefit plans – life insurance, retirement, education, etc.

Heat, Light, Power and Water – All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance – All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) – All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage – The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate – Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion – Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations – All gifts given from the business operation to charity.

Telephone and Telegraph – For expenses incurred in the operation of the business.

Bad Debts – Uncollectable debts.

Delivery Expenses (Other than Wages) – All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance – Premiums paid to insure all assets against fire, theft, etc.

Taxes – All taxes on stock, fixtures, delivery equipment, etc.

Depreciation – All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense – Bank charges for processing credit card sales.

Interest – The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies – The costs of all supplies used in the operation of the store.

Legal and Accounting – The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services – Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions – Fees for memberships and subscriptions, and expenses for employee training.

Travel and Entertainment – All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services – All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified – All expenses not classified under other headings.

Net Operating Profit – Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income – Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) – The net return from the operation of the business.

Balance Sheet – The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets – Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year – all prepaid expenses.

Investments – Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets – Assets with a long-term life which are needed to carry out a firm's normal business activities. The Management Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities – All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities – All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison beween operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

The Most Complete, Widely Used Source Of Product Information In The Industry ---

The Advanced Course In Hardware Retailing

The average hardware store stocks from 12,000 to 15,000 items. The average home center stocks between 18,000 and 20,000 products and the average warehouse mart as many as 25,000 to 26,000 different items.

How can you keep your employees informed about these items and all the new products continually hitting our market?

The Advanced Course in Hardware Retailing (ACHR)! While you may not need to know everything about every product, this Course helps to familiarize you with the most current product knowledge available -- it's a handy all-in-one reference guide for every aspect of hardware product knowledge.

The ACHR has proven to be the most successful correspondence course of it's kind -- over 60,000 hardware employees, employers, manufacturers, and wholesalers have received the ACHR Certificate of Completion.

Give your customers the right answers, be able to recommend the correct part or tool for any job, and increase sales activity with knowledgeable, helpful employees. For further details call 1-317-248-1261 or write to the address below.

☐ **Yes!** **Send me ____ *NEW* Advanced Course(s) in Hardware Retailing:**

Send me _____ additional Grading Privilege(s).

Fill in all information -- please print or type

Firm Name ____ _____

Address _____

City _____ State _____ Zip _____

Wholesaler _____

Phone (____) _____

Pricing Structure
ACHR $40.00 Each Member, $75.00 Each Non-Member
Additional Grading Privileges $20.00 Each Member, $30.00 Each Non-Member

☐ Check Enclosed

☐ Charge To My Credit Card ☐ VISA ☐ MasterCard ☐ American Express Exp. Date _____

Account No. _____ Signature _____

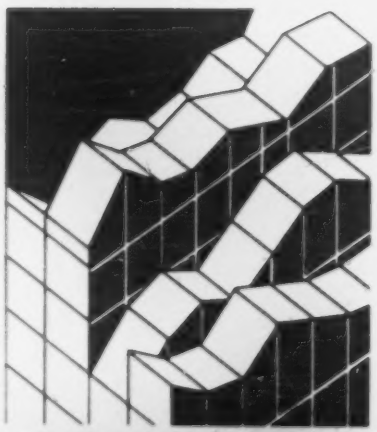
NRHA

NATIONAL RETAIL HARDWARE ASSOCIATION
770 N. High School Road
Indianapolis, Indiana 46214
or call (317) 248-1261

EXPERIENCE DOES MAKE THE DIFFERENCE

Today, everyone claims to be a "consultant", but no one can assist you in your marketing and management like the National Retail Hardware Association and Home Center Institute.

NRHA and HCI are THE source for information and current trends in the hardware, home improvement, and repair industry. From our annual cost of doing business studies to a variety of timely studies on emerging industry trends and issues critical to the time, we develop the standards by which the market and those competing in it are measured.



RETAIL CONSULTING

In over fifteen years of "consulting", no one has encountered more marketing and management situations than we have. Whether large or small, single or multi-unit operation, shouldn't you have our experience helping you in your marketing and management.

For assistance in:

- Store Positioning
- Assortment Planning
- Market Analysis
- Consumer Research
- Site Evaluation
- Customer Surveys

Contact:

RETAIL CONSULTING GROUP
National Retail Hardware Association and the Home Center Institute
770 North High School Road
Indianapolis, Indiana 46214-3798
(317) 248-1261

"Solving the complexities of retailing in the hardware, home improvement, and repair industry."

National Retail Hardware Association
770 North High School Road
Indianapolis, Indiana 46214-3798
(317) 248-1261

Board of Directors

President:
Frank W. Greenhaw, Mesquite, TX

Vice President:
Robert K. Gettlefinger, Clarksville, IN

Directors:

Larry V. Ballweg, Dayton, OH
C. Jay Buikema, Naperville, IL
G. Dale Garland, Moncton,
New Brunswick, Canada
William J. Griffin, Santa Ana, CA
Joseph L. Gwinn, Lapeer, MI
Richard G. Holland Sr., Berlin, MD
Larkin I. Kaliher, Newport, OR
Carol Leeson, Middletown, NY
H. Logan Page III, Guilford, CT

Past Presidents:

Roy D. Nyberg, Sioux Falls, SD
Edward D. Saunders, Miami, FL
Don F. Walz, Jefferson City, MO

Headquarters Staff

NRHA Managing Director: Hal Marsolais

Home Center Institute Executive Director: Hal Marsolais; Steve Johnson, Director

Administraton: Barbara M. Schuster, Vice President; Janet L. Pulley, Convention Director

Retail Services: Steve Johnson, Director of Educaton and Management Support Services; Jim Robisch, Director Retail Marketing; Greg Venable, Manager Retail Research Services

Finance: Kenneth Army, Vice President

Washington Office: Timothy M. Haake, O'Connor and Hannan Attorneys at Law, 1919 Pennsylvania Ave., NW, Suite 800, Washington, DC 20006 (202) 783-1402

Affiliated Associations

California Pacific Southwest Hardware Association: Michael R. Owen, 122 Ninth Street, San Francisco, CA 94103 *(415) 552-0536*

Canadian Retail Hardware Association: Thomas M. Ross, 6800 Campobello Road, Mississauga, Ont. L5N-2L8 *(416) 821-3470; (800) 268-3965 (Canada only)*

Hardware Association of the Carolinas and Virginias: Paul R. Geisleichter, 412 Louise Ave., Charlotte, NC 28204; *(704) 332-3141; (800) 367-4228 (NC only); (800) 843-4228 (SC, VA, W VA)*

Illinois Retail Hardware Association: Jay Boor, 300 W. Edwards 201, Springfield, IL 62704 *(217) 528-9400*

Indiana-Kentucky Hardware Association: Richard L. Russell, 8383 Craig St., Suite 150, Indianapolis, IN 46250 *(317) 576-6300*

Iowa Retail Hardware Association: John C. Phillips, 520 35th St., Des Moines, IA 50312 *(515) 274-0401; (800) 652-9609 (Iowa only)*

Michigan Retail Hardware Association: Thomas A. Aitken, 4414 S. Pennsylvania Avenue, P. O. Box 30085, Lansing, MI 48909 *(517) 394-1710*

Minnesota-Dakotas Retail Hardware Association: Mac Hardin, 1011 1st St. S. Suite 490, Hopkins, MN 55343 *(612) 933-2026, (800) 999-4399*

Montana Hardware and Implement Association: Charles R. Brooks, P. O. Box 440, Helena, MT 59624 *(406) 442-3388*

Mountain States Hardware and Implement Association: John R. Zapor, 1380 Carr St., Lakewood, CO 80215 *(303) 233-2101*

New England Hardware Dealers Association: Leonard J. Palmisano, 109 E. Grove St., P. O. Box 1329, Middleboro, MA 02346 *(508) 946-0422*

New York State Retail Hardware Association: Larry Bowser, 6500 Joy Road, East Syracuse, NY 13057 *(315) 437-7318*

Ohio Hardware Association: Joe B. Bailey, Jr., 1540 W. Fifth Avenue (43212) P. O. Box 1828, Columbus, OH 43216 *(614) 486-5278; (800) 282-1642 (Ohio only)*

Pacific Northwest Hardware and Implement Association: William V. Cross, 333 SW Fifth Ave., Room 606, Portland, OR 97204 *(503) 226-1641*

Pennsylvania and Atlantic Seaboard Hardware Association: Jim Stambach, 949 East Park Dr., P. O. Box 4348, Harrisburg, PA 17111 *(717) 564-7011*

Southern Association: R.L. Ricker, 1822 DeBarry Ave., Orange Park, FL 32073 *(904) 264-7525*

Southwest Association: Allen E. Murfin, 4629 Mark IV Parkway, Ft. Worth, TX 76106 *(817) 625-5562*

Western Retail Implement and Hardware Association: Jeff Flora, 638 W. 39th St., (64111); P. O. Box 19264, Kansas City, MO 64141 *(816) 561-5323*

Wisconsin Retail Hardware Association
David K. Storey, 1421 Strongs Avenue, Stevens Point, WI 54481 *(715) 341-7100 (800) 888-1817 (Wis. only)*

National Retail Hardware Association
770 N. High School Road
Indianapolis, Indiana 46214-3798
(317) 248-1261